

The directors submit their annual report together with the audited financial statements for the year ended 31st March 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 21 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 28.

No interim dividend was paid or declared in respect of the year ended 31st March 2006 (2005: Nil).

The directors do not recommend the payment of a final dividend in respect of the year ended 31st March 2006 (2005: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the statement of changes in equity on page 31 to 32.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 31 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2006 amounted to HK\$124,120,000, comprising share premium and retained earnings. Under section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company, and no distribution may be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debt as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 89 to 90.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

SHARE OPTIONS AND WARRANTS

On 11th November 2002, warrants to subscribe for a total of 77,714,281 shares of the Company at a subscription price of HK\$0.70 per share before 31st October 2007 were issued to the Company's shareholders at nil consideration. No warrants have been exercised since the date of issue and up to the date of this report.

Share options are granted to directors, executives and employees under a share option scheme (the "Share Option Scheme") approved by shareholders at an Extraordinary General Meeting on 21st October 2002.

The Share Option Scheme is a share incentive scheme and is established to acknowledge the contributions made or to be made by participants to the Group. The Board of Directors may, at its discretion, offer employees, executive and non-executive directors, officers, advisers and consultants of the Company and its subsidiaries, the grant of options to subscribe for shares of the Company. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme. The 10% limit was refreshed by ordinary resolution passed by the shareholders at the extraordinary general meetings held on 26th August 2005 and 5th June 2006 which enabled the grant of further options to subscribe up to 50,249,522 shares and 61,413,578 shares respectively, representing 10% of the shares in issue as at the respective dates. At the extraordinary general meeting held on 5th June 2006, the grant of 35,000,000 options to Mr. Poon Sum, a director of the Company, was approved by the shareholders.

As at the date of the annual report, the total number of shares available for issue pursuant to the exercise of all options granted under the Share Option Scheme was 92,000,000, representing about 13.14% of the issued share capital of the Company. Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue. The Directors will have the absolute discretion to fix the minimum period for which an option must be held before it can be exercised, and the performance targets that must be achieved before the options can be exercised upon the grant of an option to a participant.

SHARE OPTIONS AND WARRANTS *(continued)*

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the nominal value of the shares, (ii) the average of the closing prices of the shares as stated in daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five consecutive trading days immediately preceding the date of offer of the option and (iii) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option (which must be a trading day).

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of such period to be determined by the Board in its absolute discretion and notified to the grantee. No option may be granted more than 10 years after the date of adoption of the Share Option Scheme.

Details of the share option outstanding at 31st March 2006 which have been granted under the scheme are as follows:

| Participants | Date of grant | Exercise price per share HK\$ | Exercisable Period | Outstanding as at 1st April 2005 | Number of options | | | Other changes during the year | Outstanding as at 31st March 2006 |
|---|---------------|----------------------------------|--------------------------|----------------------------------|-------------------------|---------------------------|------------------------|-------------------------------|-----------------------------------|
| | | | | | Granted during the year | Exercised during the year | Lapsed during the year | | |
| Directors | | | | | | | | | |
| Mr. Wong Kwok Leung | 13/08/2004 | 0.29 | 13/08/2004 to 12/08/2014 | 2,000,000 | — | — | — | — | 2,000,000 |
| Mr. Mok Yu Kong (resigned on 21/03/2006) | 13/08/2004 | 0.29 | 13/08/2004 to 12/08/2014 | 2,000,000 | — | — | — | (2,000,000) | — |
| Mr. Kwok Kwai Sum (resigned on 1/4/2005) | 09/08/2004 | 0.27 | 09/08/2004 to 08/08/2014 | 4,000,000 | — | — | (4,000,000) | — | — |
| Employees in aggregate | 24/11/2003 | 0.301 | 24/11/2003 to 23/11/2008 | 9,500,000 | — | — | — | — | 9,500,000 |
| | 13/08/2004 | 0.29 | 13/08/2004 to 12/08/2014 | 9,000,000 | — | — | (4,000,000) | 2,000,000 | 7,000,000 |
| | 01/09/2005 | 0.178 | 01/09/2005 to 28/02/2006 | — | 21,500,000 (Note 1) | (8,500,000) (Note 3) | (13,000,000) | — | — |
| | 14/09/2005 | 0.207 | 14/09/2005 to 13/03/2006 | — | 4,000,000 (Note 2) | — | (4,000,000) | — | — |
| | | | Total | 26,500,000 | 25,500,000 | (8,500,000) | (25,000,000) | — | 18,500,000 |

SHARE OPTIONS AND WARRANTS *(continued)*

Note:

1. The closing price of the shares immediately before the date of grant was HK\$0.178.
2. The closing price of the shares immediately before the date of grant was HK\$0.207.
3. The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$0.21 (22nd September 2005) and HK\$0.27 (10th November 2005).
4. Save as disclosed above, none of the directors, or their spouse or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the period.

DIRECTORS

The Directors during the year and up to the date of this report were:

Mr. Poon Sum

Mr. Wong Kwok Leung

Mr. Poon Wai Kong

(appointed on 21st March 2006)

Mr. Mok Yu Kong

(appointed on 21st October 2002 and resigned
on 21st March 2006)

Mr. Kwok Kwai Sum

(appointed on 1st November 2004 and resigned
on 1st April 2005)

Mr. Chen Lizhong¹

(appointed on 21st March 2006)

Mr. Chan Shu Kin²

Mr. Chan Kam Ching, Paul²

Mr. Cheung Kwan Hung²

¹ Non-Executive Director

² Independent Non-Executive Director

Mr. Chan Shu Kin and Mr. Chan Kam Ching, Paul were appointed for a three-year term expiring on 20th October 2005. Mr. Cheung Kwan Hung was not appointed on fixed term.

Pursuant to Article 86(3) of the Company's Articles of Association, Mr. Poon Wai Kong and Mr. Chen Lizhong were appointed as Directors of the Company by the Board. They shall retire from office at the forthcoming annual general meeting and shall be eligible for election. In accordance with Article 87(1) of the Company's Articles of Association, Mr. Wong Kwok Leung, Mr. Chan Shu Kin and Mr. Chan Kam Ching, Paul shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Poon Sum and Mr. Wong Kwok Leung has entered into a service contract with the Company for an initial term of three years commencing from 21st October 2002, and which may be terminated by either party thereto giving to the other not less than six months' prior notice in writing, which notice period shall not expire at any time during the first year. Such service contracts were expired on 20th October 2005.

Under the above service contracts, the remuneration payable to each of the executive Directors may, subject to the discretion of the Directors, be increased by not more than 10% per annum and they will each be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the Directors for such year shall not exceed 15% of the audited consolidated net profit of the Group after tax and minority interests but before extraordinary and exceptional items of the Group (the "Profit"). Each Executive Director will abstain from voting and not be counted in the quorum in respect of any resolution proposed at any meeting of the Directors regarding the amount of annual salary, discretionary bonus and other allowance available to him. Each of the Executive Directors will also be entitled to all reasonable out-of-pocket expenses. During the year, no discretionary bonus was paid and payable while total emoluments paid and payable to the Executive Directors.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Save as disclosed above, none of the Directors has entered into any service agreements with any member of the Group.

DIRECTORS' INTEREST IN CONTRACTS

Apart from Directors' service contracts as described above, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Poon Sum, aged 42, is Chairman of the Company and one of the co-founders of the Group. Throughout the year, he has been, and still is, primarily responsible for the overall strategic planning, business development, marketing and formulation of overall corporate policies of the Group. He has over 18 years of experience in the paints and coatings industry and the trading of chemicals in Hong Kong and the PRC.

Mr. Wong Kwok Leung, aged 48, is an Executive Director. He is currently responsible for the administration and production management of the Group's subsidiary in Dongguan. He obtained the qualification of LCC - Higher Accounting from London Chamber of Commerce and diploma of supervisory studies from Hong Kong Productivity Council. Prior to joining the Group, he worked in the field of finance and accounting for over 12 years and has obtained extensive knowledge therein. He joined the Group in September 1997.

Mr. Poon Wai Kong, aged 35, is an Executive Director. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Certified Practising Accountant of Australia. He also holds a Master degree in Business Administration from the City University of Hong Kong, a Master degree in Practising Accounting from the Monash University, Australia and a Bachelor degree in Economics from the University of London, United Kingdom. He has more than 15 years' experience in accounting and financial field. He joined the Group as the Financial Controller in September 2005.

Non-Executive Director

Mr. Chen Lizhong, aged 51, was appointed as Non-Executive Director on 21st March 2006. He is an accountant in the People's Republic of China and holds a Master's degree in business management. Mr. Chen joined Guangdong Dongshen Water Supply Bureau (the "Bureau") in 1975. He acted as the general manager of Shenzhen City Dongshen Industrial Development Holding Company between 1994 to 2000 and vice bureau head of the Bureau between 1996 to 2000. He was an executive director and general manager of Guangnan (Holdings) Limited between December 2000 to June 2002. He is also a vice president of Shenzhen Economics Society. He is an independent non-executive director of China Water Affairs Group Limited which is a listed company on the main board of the Stock Exchange.

Independent non-executive Directors

Mr. Chan Shu Kin, aged 51, is an Independent Non-Executive Director. He was appointed on 21st October 2002. He is a certified public accountant and is a partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has over 29 years of experience in field of auditing, accounting as well as financial management. He is the past president of the Society of Chinese Accountants and Auditors (the "Society") and currently a committee member of the Society. He is also an independent non-executive director of PYI Corporation Limited which is a listed company on the main board of the Stock Exchange.

Mr. Chan Kam Ching, Paul, aged 51, is an Independent Non-Executive Director. He was appointed on 21st October 2002. He is the senior partner of Paul K.C. Chan & Partners Solicitors & Notaries, and has been practising laws in Hong Kong for over 22 years. He obtained a Juris Doctorate degree from University of Toronto in 1979. He has been admitted as a barrister and a solicitor in Ontario, Canada and as a barrister in the Australian Capital Territory, as a solicitor in Hong Kong and in England and Wales, and as an advocate and solicitor in Singapore. He became a China-Appointed Attesting Officer in 1995, a member of Chartered Institute of Arbitrators in 1996, a Notary Public in Hong Kong in 1997, and HKIAC Accredited Mediator in 1999.

Mr. Cheung Kwan Hung, aged 54, is an Independent Non-Executive Director. He was appointed on 30th September 2004. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 21 years of experience in accounting, finance and investment banking profession specialising in equity/debt fund raising, mergers and acquisitions and corporate restructuring before working with publicly listed companies undertaking corporate management, planning and strategies development functions. He is a director of New Ocean Green Energy Holdings Limited, Golden Dragon Group (Holdings) Limited and VS International Group Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited.

The Company has received confirmation from each of the Independent Non-Executive Directors as regards their independence from the Company and considers that each of the Independent Non-Executive Directors is independent of the Company.

Senior management

Mr. Leung Tak Fu, aged 45, is the Accounting Manager of the Group. He is a member of the Association of Chartered Certified Accountants. He joined the Group in January 2005 and has 16 years experience in accounting. He is the qualified accountant of the Group.

Mr. Wan Wai Shing, aged 46, is a director of Wing Shing Chemical Company Limited, Wing Shing Chemical International Limited and Wing Shing Colours Limited, wholly owned subsidiaries of the Group. He joined the Group in January 1994 and is responsible for the sales and marketing of the Group's paints and coatings products. Prior to joining the Group, he worked in the field of commercial banking for more than 15 years.

Mr. Yiu Po Wah, aged 51, is the production manager of the paints and coatings division of the Group. He joined the Group in April 1993 and is responsible for production management of the paints and coatings. He has over 32 years of experience in the paints industry. Prior to joining the Group, he worked for a big paints company in Hong Kong.

Mr. Chui Che Kong, aged 43, is the Corporate Development Director of the Group. He joined the Group in July 2005 and is responsible for the Group's strategic planning and corporate development. He holds a Master of Business Administration degree in Finance and Investment, a Master of Business Administration degree in Strategic Financial Management and a Bachelor of Science degree (with Honours) in Financial Services. He is a member of the Hong Kong Institute of Certified Public Accountants, an Associateship of the Chartered Institute of Bankers in the United Kingdom and has over 19 years of experience in banking, accounting and corporate financial management. He was appointed as the Company Secretary of the Company in August 2005.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st March 2006, the interests of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company, and any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model code for Securities Transactions by Directors were as follows:

| Name | Capacity | Nature of Interests | Number of Shares held | Equity Derivative | Total Interest | Total % of Issued Shares |
|---------------------|----------------------------------|------------------------------|-----------------------|-------------------|----------------|--------------------------|
| Mr. Poon Sum | Beneficial Owner | Personal Interest (Note 1) | 31,894,265 | 3,814,037 | 287,571,341 | 47.06% |
| | Founder of a Discretionary Trust | Other Interest (Notes 1 & 2) | 220,898,799 | 30,964,240 | | |
| Mr. Wong Kwok Leung | Beneficial Owner | Personal Interest (Note 3) | 6,936,000 | 2,990,857 | 9,926,857 | 1.62% |

Notes:

- All interests in shares and underlying shares of equity derivatives of the Company are long positions. All interests in underlying shares of equity derivatives of the Company are interests in warrants of the Company ("warrants") which conferred rights to subscribe for shares at an initial subscription price of HK\$0.70 per share (subject to adjustment) exercisable during the period from 13th November, 2002 to 31st October 2007.
- These shares and warrants are held by Ever Source Enterprises Limited ("Ever Source"). The issued share capital of Ever Source is beneficially owned as to 50% by Time Concord Limited ("Time Concord"), a company incorporated in the British Virgin Islands ("BVI") and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance Investments Limited ("Guidance"), a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, Mr. Poon Sum will be deemed to be interested in 220,898,799 shares, representing approximately 36.15% of the Company's shares in issue as at 31st March 2005 through his shareholding in Ever Source.
- All interests in shares and underlying shares of equity derivatives of the Company are long positions. All interests in underlying shares of equity derivatives of the Company are interests in warrants which conferred rights to subscribe for 990,857 shares at an initial subscription price of HK\$0.70 per share (subject to adjustment) exercisable during the period from 13th November 2002 to 31st October 2007 and interests in share options of the Company granted under the share option scheme of the Company which may be exercised during the period from 13th August 2004 to 12th August 2014 to subscribe for 2,000,000 shares at an exercise price of HK\$0.29 per share.

Save as disclosed above, none of the Directors of the Company held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st March 2006, the interests of the shareholders, not being a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:-

| Name of Substantial Equity shareholders | Capacity | Nature of Interests | Number of Shares held | Equity Derivative | Total Interest | Total Interest as Percentage of Issued Shares |
|---|------------------------------------|---|-----------------------|-------------------|----------------|---|
| BNP Paribas Jersey Trust Corporation Limited ("BNP Paribas Jersey") | Trustee | Other Interest (Notes 1, 2 & 3) | 220,898,799 | 30,964,240 | 251,863,039 | 41.21% |
| Ground Point Limited ("Ground Point") | Interest of Controlled Corporation | Corporate Interest (Notes 1, 2 & 3) | 220,898,799 | 30,964,240 | 251,863,039 | 41.21% |
| Red Tiles Limited | Interest of Controlled Corporation | Corporate Interest (Notes 1, 2 & 3) | 220,898,799 | 30,964,240 | 251,863,039 | 41.21% |
| Guidance | Interest of Controlled Corporation | Corporate Interest (Notes 1, 2, 3 & 4) | 220,898,799 | 30,964,240 | 251,863,039 | 41.21% |
| Time Concord | Interest of Controlled Corporation | Corporate Interest (Notes 1, 2, 3 & 4) | 220,898,799 | 30,964,240 | 251,863,039 | 41.21% |
| Ever Source | Beneficial Owner | Corporate Interest (Notes 1, 2, 3 & 4) | 220,898,799 | 30,964,240 | 251,863,039 | 41.21% |
| Mr. Poon Sau Tin | Beneficial Owner | Personal Interest (Note 1) | 27,002,265 | 3,814,037 | 282,679,341 | 46.25% |
| | Founder of a Discretionary Trust | Other Interest (Notes 1, 2, 3 & 4) | 220,898,799 | 30,964,240 | | |
| Mr. Duan Zhi Juan | Interest of Controlled Corporation | Corporate Interest (Notes 1 & 5) | 36,299,155 | — | 36,299,155 | 5.94% |
| Pink Marble Investments Ltd. | Beneficial Owner | Beneficial Interest (Notes 1 & 5) | 36,299,155 | — | 36,299,155 | 5.94% |

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Notes:

- All interests in shares and underlying shares of equity derivatives of the Company are long position. All interest in underlying shares of equity derivatives of the Company are interests in warrants.
- All interests of BNP Paribas Jersey, Ground Point, Red Tiles, Guidance, Time Concord and Ever Source and the other interest of Mr. Poon Sau Tin were duplicated.
- BNP Paribas Jersey is deemed to be interested in the shares and warrants in the capacity of a trust through interests of corporations controlled by it as follows:-

| Name of Controlled Corporation | Name of Controlling Equity Shareholders | Percentage Control |
|--------------------------------|---|--------------------|
| Grand Point | BNP Paribas Jersey | 100% |
| Red Tiles | BNP Paribas Jersey | 100% |
| Guidance | Ground Point | 100% |
| Time Concord | Red Tiles | 100% |
| Ever Source | Guidance | 50% |
| Ever Source | Time Concord | 50% |

- These shares and warrants are held by Ever Source. The issued share capital of Ever Source is beneficially owned as to 50% by Time Concord, a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance, a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, each of Mr. Poon Sum and Mr. Poon Sau Tin will be deemed to be interested in 220,898,799 shares, representing approximately 36.15% of the Company's shares in issue as at 31st March 2006, through his shareholding in Ever Source.
- These shares are beneficially owned by Pink Marble Investments Ltd. which is wholly-owned by Mr. Duan Zhi Juan.

Save as disclosed above, there was no person known to the directors of the Company, other than a director of the Company, who as at 31st March 2006 had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods from its 5 largest suppliers and sold less than 30% of its goods to its 5 largest customers.

CONNECTED TRANSACTIONS

During the year, the Group entered into transaction with certain Directors or companies related to them. Details of the significant related party transactions and the Directors' interests therein are set out in Note 39 to the financial statements. The rental expenses of approximately HK\$864,000 payable to Luen Yat Enterprises Company Limited, and approximately HK\$384,000 payable to Mr. Poon Sum, Mr. Poon Sau Tin, also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange (the "Main Board Listing Rules"). Mr. Poon Sum and Mr. Poon San Tin have beneficial interests in Luen Yat Enterprises Company Limited.

Save as disclosed above, there were no other transactions, which need to be disclosed as connected transactions in accordance with the requirements of the Main Board Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors has an interest in a business which competes or may competes with the business of the Group.

PENSION SCHEME

With effect from 1st December 2000, the MPF scheme was set up for certain employees in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK\$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

Employees in the Group's PRC subsidiary are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiary contributes 2% to 4% of the employee payroll to the scheme to fund the retirement benefits of the employees.

No forfeited contribution is available to reduce the contribution payable under the above schemes.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Main Board Listing Rules.

AUDITORS

During the year, PricewaterhouseCoopers resigned as one of the joint auditors of the Company. Lau & Au Yeung C.P.A. Limited, being the other joint auditor of the Company, continued to remain in office. Baker Tilly Hong Kong Limited and Lau & Au Yeung C.P.A. Limited were appointed by the shareholders of the Company as the new joint auditors of the Company. There have been no other changes of auditors in the past three years. The financial statements have been audited by Baker Tilly Hong Kong Limited and Lau & Au Yeung C.P.A. Limited. A resolution for reappointment of Baker Tilly Hong Kong Limited and Lau & Au Yeung C.P.A. Limited as the joint auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Poon Sum
Chairman

Hong Kong, 25th July 2006